

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2603

To amend the Internal Revenue Code of 1986 to provide transition relief  
for nonprofit student loan funding corporations.

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IN THE HOUSE OF REPRESENTATIVES

JULY 1, 1993

Mr. NEAL of Massachusetts (for himself and Mr. MOAKLEY) introduced the  
following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide  
transition relief for nonprofit student loan funding  
corporations.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. ELECTION TO CEASE STATUS AS QUALIFIED**  
4       **SCHOLARSHIP FUNDING CORPORATION.**

5       “(a) IN GENERAL.—Subsection (d) of section 150 of  
6       the Internal Revenue Code of 1986 (relating to definitions  
7       and special rules) is amended by adding at the end thereof  
8       the following new paragraph:

9               “(3) ELECTION TO CEASE STATUS AS QUALI-  
10       FIED SCHOLARSHIP FUNDING CORPORATION.—

1           “(A) IN GENERAL.—Any bond outstanding  
2           on the date of the issuer’s election under this  
3           paragraph (and any bond issued to refund such  
4           a bond) shall not fail—

5                   “(i) to be qualified scholarship fund-  
6                   ing bond; or

7                   “(ii) to be a qualified student loan  
8                   bond—

9           (or similar provisions of prior law) merely be-  
10          cause the issuer ceases to be described in para-  
11          graph (2) if the issuer meets the requirements  
12          of subparagraphs (B) and (C), or engages in a  
13          transaction described in subparagraph (B), of  
14          this paragraph.

15          “(B) ASSETS AND LIABILITIES OF ISSUER  
16          TRANSFERRED TO TAXABLE SUBSIDIARY.—The  
17          requirements of this subparagraph are met by  
18          an issuer if—

19                   “(i) all of the student loan notes of  
20                   the issuer are transferred to another cor-  
21                   poration within a reasonable period after  
22                   the election is made under this paragraph;

23                   “(ii) such other corporation assumes  
24                   or otherwise provides for the payment of  
25                   all of the qualified scholarship funding

1 bond indebtedness of the issuer within a  
2 reasonable period after the election is  
3 made under this paragraph;

4 “(iii) to the extent permitted by law,  
5 such other corporation assumes all of the  
6 responsibilities, and succeeds to all of the  
7 rights, of the issuer under the issuer’s  
8 agreements with the Secretary of Edu-  
9 cation in respect of student loans;

10 “(iv) immediately after such transfer,  
11 the issuer holds all of the stock in such  
12 other corporation; and

13 “(v) such other corporation is not ex-  
14 empt from tax under this chapter.

15 “(C) ISSUER TO OPERATE AS ORGANIZA-  
16 TION DESCRIBED IN SECTION 501(C)(3)—The re-  
17 quirements of this subparagraph are met by an  
18 issuer if, after the transfer referred to in sub-  
19 paragraph (B), the issuer is described in section  
20 501(c)(3) and exempt from tax under section  
21 501(a).

22 “(D) COORDINATION WITH TAX ON EX-  
23 CESS BUSINESS HOLDINGS.—For purposes of  
24 section 4943, the corporation to which the is-  
25 suer makes the transfer referred to in subpara-

1 graph (B) shall be treated as a functionally re-  
2 lated business (as defined in section 4942(j)(4))  
3 with respect to the issuer so long as more than  
4 50 percent of the gross income of such corpora-  
5 tion is derived from, or more than 50 percent  
6 of the assets (by value) of such corporation con-  
7 sists of, student loan notes incurred under the  
8 Higher Education Act of 1965.

9 “(E) ELECTION.—An election under this  
10 paragraph may be revoked only with the con-  
11 sent of the Secretary.”

12 (b) EFFECTIVE DATE.—the amendment made by this  
13 section shall take effect on the date of the enactment of  
14 this Act.

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